

**Internal Revenue Service**  
**P.O. Box 2508**  
**Cincinnati, OH 45201**

**Department of the Treasury**

**Number: 200943041**  
**Release Date: 10/23/2009**

**Employer Identification Number:**

**Contact Person - ID**

**Date: July 6, 2009**

**Contact Telephone Number:**

**UIL 4945.04-04**

**LEGEND**

**Y= Geographical location**  
**x = Amount of scholarship**

**Dear :**

We have considered your request for advance approval of your grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated March 25, 2009.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you were classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program that will be awarding scholarships to individuals who demonstrate a passion for their intended area of study at an accredited college, trade school, or university. Eligible recipients will be anyone who works or lives in the Y. You may consider surrounding communities in the future. You will notify the eligible schools and community of the available scholarships. Approximately five scholarships will be awarded in the amount of x each.

The selection criteria include:

- Academic standing
- Community/school activities
- Community service
- Personal references
- Noticeable passion for said field of study

Applicant must complete the following:

- Application form
- 2-3 page essay
- 2 Personal Reference Letters

- Any available portfolios, pictures, examples, etc. that show work and interest in intended field of study.

The selection committee will consist of your Board members. The selection committee may also include members of the community and local high schools. Members of the selection committee are not eligible to apply for the scholarship program. Relatives of members of the selection committee may apply for the scholarship program as long as they are not a disqualified person. However, any relative of an applicant will recuse himself/herself from any voting decision related to such applicant. Each member of the committee will have a reasonable time to review the information before making a decision. After a reasonable period of time, the committee will hold a telephone conference or meeting to discuss the various candidates and the criteria for selecting the winners. The committee will select the winner for each scholarship award based on the majority decision of the group. The committee will then send letters of congratulations to the winners and advise the winners to provide confirmation of enrollment and course schedule to an accredited educational institution.

All scholarships will be paid directly to the school of the selected recipient's choice. You will require the school to agree that the money will only be used for its intended purpose and only for the scholarship recipient who is enrolled and in good standing.

You will require each recipient to submit annual reports as to their status and grades, and will require each recipient to be enrolled and in good standing at the school to which the scholarship is being used for its intended purpose. If applicable, the Board will investigate any suspected diversions of scholarships from their intended purpose and take all reasonable steps to recover the diverted funds, ensure other scholarships are used for their intended purpose and withhold further payments to that individual.

For at least five years following the payment of any scholarships, you will maintain files for all selected recipients that will contain their application, including their essay and reference letters, amount and purpose of each grant, annual reports of status and grades, and any applicable investigation of diverted funds.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements